REMARKS/ARGUMENTS

Claim Rejections – 35 U.S.C. § 112

The Examiner has rejected Claims 1, 6, and 24 under 35 U.S.C. § 112, ¶ 2, as being indefinite for failing to particularly point out and distinctly claim the subject matter that Applicants regard as their invention. More specifically, the Examiner contends that there is insufficient or unclear antecedent basis within:

Claim 1 for:

- "the previous performance level" in line 5;
- "the participant's reward" in line 8;
- "the reward" in Claim 9;
- "the previous lower performance level" in line 10;
- "each participants" in line 18;
- "the participant's selected level" in line 21; and
- "the participant selected level of performance" in line 25

Claim 6 for:

- "a participant" in line 1

For ease of understanding, claims 1 and 24 have also been amended to substitute letters for the bullets previously employed to identify the elements of the claims. Applicants have amended claims 1 and 6 to obviate the grounds for this rejection by:

Claim 1:

Subpart (a): now refers to "at least one successive performance level above the minimum threshold level of performance," and changed "the previous performance level" to "the minimum threshold level of performance and any prior successive performance level in such hierarchy."

Subpart (b): now includes "at least one reward to the participant" as the antecedent basis for "participant's reward" and "the reward."

Subpart (b): "the previous lower performance level" has been changed to "the prior successive performance level."

Subpart (c&d): "each participant" has been changed to "the participant."

Subpart (f): "the participant selected level of performance" has been changed to "the participant-selected level of performance" to be consistent with "the participant's selected level."

Claim 6: "a participant" has been changed to "the participant."

Accordingly, Applicants respectfully request that the Examiner withdraw these § 112 rejections to the claims.

Claim Rejections – 35 U.S.C. § 103

The Examiner has also rejected claims 1, 6, and 24 under 35 U.S.C. § 103(a) as being obvious over U.S. Patent No. 6,120,300 issued to Ho et al. ("Ho") in view of Appelbaum & Hare, "Self-Efficacy as a Mediator of Goal Setting and Performance: Some Human Resource Applications," *Journal of Managerial Psychology* (vol. 11, no. 3), 33 (1996) ("Appelbaum"), and the Examiner's "Official Notice." Applicants respectfully traverse this rejection.

The invention covered by the present Application covers an innovative method for providing incentive to a participant to reach a higher level of achievement. Incentive and reward systems known in the prior art have provided the participant with several different rewards with different required levels of associated performance, and provided the participant with the corresponding reward for his actual level of performance. For example, a classroom teacher might establish in advance for a test or an academic semester that a score of 84 will cause the student to earn a "B," a score of 88 will bring a "B+," a score of 90 will reward the student with an "A," etc. The student can then decide how hard he wants to study, and if he puts in the extra hours of preparation to score a 95 on the test, then he will earn an A and be happy. On the other hand, if he should only score an 87, regardless of the cause, then he will receive a B.

Alternatively, an airline might offer its customers a "frequent flyer" rewards program at the beginning of the year that will provide the customer with "Silver" status if she flies 25,000 miles on the airline during that year, and "Gold" status if she flies 50,000 miles. Silver status might earn her a 25% bonus of "miles" that she flies the following year, while Gold status

translates to a 100% bonus. The customer can determine accordingly how many trips she wants to take on that airline that year, as opposed to using a different carrier. If she, in fact, flies 55,000 miles on the airline during that year, then she will be rewarded with Gold status. If, on the other hand, she only files 48,000 miles on the airline, regardless of the reason, then she will receive her Silver status reward.

By contrast, Applicants' Claim 1, as currently amended, is directed to a method of providing incentive to the participant, comprising an increasing hierarchy of participant performance levels defined by the program sponsor coupled with increasing levels of associated rewards; selection by the participant of one of those sets of sponsor-defined performance level and associated reward; storing of data for the actual performance of the participant; comparison of that actual level of performance with the performance level pre-selected by the participant to determine whether the required threshold level has been achieved; and granting the reward to the participant only if he or she achieved the pre-selected level of performance. As explained within the John Jack affidavit submitted by Applicants on February 22, 2005, not only does the method of the present system provide a powerful incentive to the participant to achieve by requiring him to commit in advance to a particular level of performance, but also it provides a more cost-effective reward system to the sponsor since it does not need to provide the participant with any reward if the participant fails to achieve at his pre-selected performance level, and need not grant the participant any extra reward if the participant achieves above his pre-selected performance level.

Ho discloses a computer-aided education system in which the milestones and associated rewards are pre-selected by the teacher or guardian. The student receives the reward for whatever performance level that he achieves. In this regard, it is similar to a conventional reward system. The student can provide feedback to the teacher or guardian after the fact whether the student found the reward to provide adequate incentive; however, this does not constitute pre-selection by the student of a set of associated performance level and reward, as is required by Applicants' Claim 1. Moreover, Ho does not teach or disclose an "all-or-nothing" incentive system, as Claim 1 requires.

Appelbaum constitutes an article from the psychology literature discussing the importance of "self-efficacy" in assisting employees to perform at higher levels, and how a skillful manager can manipulate an employee's self-efficacy level in a positive manner through education, training, and appropriately set performance goals. On page 11 of this reference, a

study of unionized government employees was cited by the authors in which the employees were provided a self-management training course for setting attendance goals for showing up to work, and the employees created their own attendance goals and rewards and determined themselves whether their actual performances entitled them to the reward. While Appelbaum claims that this particular program succeeded in reducing employee absenteeism, this program did not constitute a computer system for providing tiered performance criteria and associated rewards selected by a sponsor, as is required by Applicant's Claim 1. Nor did it incorporate an all-or-nothing reward system as Claim 1 requires.

Combining the Examiner's suggested teaching from Appelbaum "that it is old and well-known in the art of incentive and reward systems for participants to partake in the pre-setting and selection of goals and rewards in order to encourage or motivate a specific performance" with the incentive method of Ho, as suggested by the Examiner, likewise fails to produce the incentive method of Applicants' Claim 1. Doing so would create a method in which the participant instead of the sponsor defines the hierarchy of performance levels and associated rewards, and the participant instead of the sponsor evaluates his own level of actual performance to determine whether he has earned the reward. Moreover, such a combination would not produce an all-or-nothing method in which the participant receives no reward if he fails to achieve at the pre-selected performance level, and receives no extra reward if he achieves above the pre-selected performance level for the simple reasons that this required feature of Claim 1 is entirely absent from the disclosures of Ho and Appelbaum, and the study cited by Appelbaum seemed to employ a single level of performance criteria and reward instead of a hierarchy of performance levels and associated rewards. Therefore, Ho and Appelbaum together, even when further combined with the Examiner's "Official Notice" that "it is notoriously old and well-known in the art of incentive and reward systems to offer higher valued rewards for higher levels of achievement to provide an incentive to perform at higher levels," fail to teach or suggest Applicants' claimed method in which the sponsor defines in advance a hierarchy of performance levels and associated rewards, the participant commits in advance through pre-selection to a particular performance level, the sponsor evaluates the participant's actual performance level, and participant receives only the reward corresponding to his pre-selected performance level if his actual performance satisfies the criteria for that reward.

Even if all of the required elements of Applicants' Claim 1 were found somewhere some where within Ho, Appelbaum, or the Examiner's Official Notice, there would still be inadequate

grounds to combine the disclosures of these prior art references as the Examiner suggests. As explained by the Federal Circuit Court of Appeals:

> [I]dentification in the prior art of each individual part claimed is insufficient to defeat patentability of the whole claimed invention. Rather, to establish obviousness based on a combination of the elements disclosed in the prior art, there must be some motivation, suggestion, or teaching of the desirability of making the specific combination that was made by the Applicant.

In re Werner Kotzab, 217 F.3d 1365, 1370 (Fed. Cir. 2000); *In re Rouffet*, 149 F.3d 1350, 1357, 47 USPQ2d 1453, 1457 (Fed. Cir. 1998). Thus, there must be sufficient motivation to the person of ordinary skill in the art to use Appelbaum to modify the teachings of Ho in the way suggested by the Examiner. By contrast, if the modification or change would provide a disincentive to the person of ordinary skill in the art, then he would have no technological motivation to combine the teachings of the two references. In re Gordon, 733 F.2d. 900, 221 USPQ 1125 (Fed. Cir. 1984).

In this case, that requisite motivation is absent. Ho explains at col. 1, l. 60- col. 2, l. 3 of the specification that other prior art systems:

> [D]o not allow an instructor, such as the student's parents, guardian, or teacher, to set when and what to reward the student. Allowing the instructor to set when and what to reward a student is very important. First the instructor is more aware of the strengths, weaknesses, and preferences of the student, and should be able to set more appropriate goals and rewards for the student. Second, if the instructor can set when and what to award the student, the instructor is in control of the student's learning progress.

Ho therefore teaches the importance of the sponsor's control over defining the performance levels and associated rewards in order to ensure the integrity of the system within an academic environment. By contrast, Appelbaum discloses a system in which the workers (participants) set their own attendance goals, established a "contract with themselves" for providing self-selected rewards and sanctions, evaluated their own attendance, and rewarded themselves accordingly. This system seems to have been directed towards providing the employees an extraordinary level of self autonomy in order to boost their self-efficacy. However, it would be anathema to a teacher operating under the system of Ho who must maintain control over the integrity of the system to relinquish such an unusual degree of autonomy to the student. Hence, the teacher under the Ho system would have no motivation to look to the teachings or suggestions of the

Appelbaum system which would exclude that teacher from the very incentive process that she administers. For this additional reason, it would not have been obvious to a person of ordinary skill in the art to combine the disclosures of Ho and Appelbaum, as suggested by the Examiner, in further combination with the Official Notice cited by the Examiner, to come up with Applicants' claimed invention. Accordingly, Applicants respectfully request that the Examiner withdraw her § 103(a) obviousness rejection of claim 1 and dependent claims 6, and 24.

In view of the above amendments and remarks, Applicants respectfully submit that the Application as amended is in proper form for allowance. Applicants therefore, respectfully request that a timely Notice of Allowance be issued in this case. If the Examiner believes that a telephone conference would advance the prosecution of this application, the Examiner is invited to telephone the undersigned at the below-listed telephone number.

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